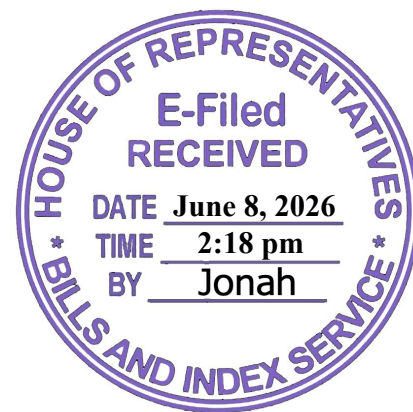


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

House Bill No. **9827**



Introduced by **Representative ERIC G. YAP**

EXPLANATORY NOTE

This bill seeks to increase the tax-exempt threshold for personal income tax from Two hundred fifty thousand pesos (P250,000.00) to Five hundred thousand pesos (P500,000.00). It also seeks to raise the tax-exempt ceiling for the thirteenth (13th) month pay and other benefits from Ninety thousand pesos (P90,000.00) to Two hundred thousand pesos (P200,000.00).

The 1987 Constitution recognizes labor as a primary social and economic force and mandates the protection of workers' rights, and the promotion of their welfare. Republic Act No. 10963, otherwise known as the "*Tax Reform for Acceleration and Inclusion (TRAIN) Law*", restructured individual income taxes to provide relief to taxpayers. However, persistent inflation and the continued increase in the prices of basic goods and services have substantially diminished the purchasing power of Filipino households since its implementation.

As a result, the current tax-exempt thresholds no longer provide the same level of relief originally intended under the law. The existing tax-exempt income threshold and tax-exempt ceiling for employee benefits have become inadequate because of increasing cost of living, thus reducing the real value of workers' earnings and take home pay.

The proposed measure allows workers to retain a greater portion of their earnings, provides additional financial relief to low- and middle- income families, and supports domestic consumption and economic activity.

This bill advances social equity and the welfare of every Filipino worker in the country who earnestly works hard to provide for the daily subsistence of their families. Ensuring that the tax system remains fair, responsive, and attuned to the realities faced by the labor sector reaffirms the

State's commitment to protecting the welfare of labor amid evolving economic conditions.

In view of the foregoing, the immediate passage of this bill is earnestly sought.



HON. ERIC G. YAP

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 9827

Introduced by **Representative ERIC G. YAP**

AN ACT
INCREASING THE TAX-EXEMPT THRESHOLD FOR PERSONAL
INCOME TAX AND THE TAX-EXEMPT CEILING FOR DE MINIMIS
BENEFITS, AMENDING FOR THE PURPOSE SECTION 24 AND
SECTION 32 OF REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS
“THE NATIONAL INTERNAL REVENUE CODE OF 1997”, AS
AMENDED, AND FOR OTHER PURPOSES

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

Section 1. Section 24 of Republic Act (RA) No. 8424, otherwise known as the “*National Internal Revenue Code of 1997*” (NIRC), as amended, is hereby further amended to read as follows:

“SEC. 24. *Income Tax Rates.* –

“(A) x x x

“(1) x x x

“(2) *Rates of Tax on Taxable Income of Individuals.* – The tax shall be computed in accordance with and at the rates established in the following schedule:

“(a) Tax Schedule Effective January 1, 2018 until December 31, 2022:

“x x x

“Tax Schedule Effective January 1, 2023 [and onwards] **UNTIL DECEMBER 31, 2026:**

“x x x

“TAX SCHEDULE EFFECTIVE JANUARY 1, 2027 AND ONWARDS:

<u>TAXABLE INCOME</u>	<u>TAX RATE</u>
NOT OVER P500,000	0%
OVER P500,000 BUT NOT OVER P800,000	15% OF THE EXCESS OVER P500,000
OVER P800,000 BUT NOT OVER P1,600,000	P45,000 + 20% OF THE EXCESS OVER P800,000
OVER P1,600,000 BUT NOT OVER P4,000,000	P205,000 + 25% OF THE EXCESS OVER P1,600,000
OVER P4,000,000 BUT NOT OVER P16,000,000	P805,000 + 30% OF THE EXCESS OVER P4,000,000
OVER P16,000,000	P4,405,000 + 35% OF THE EXCESS OVER P16,000,000

“x x x”

SEC. 2. Section 32 of the NIRC, as amended, is hereby further amended to read as follows:

“SEC. 32. *Gross Income.* –

“(A) *General Definition.* – x x x

“(B) *Exclusions from Gross Income.* –

“(1) x x x

“(7) *Miscellaneous Items.* –

“(a) x x x

“(e) *13th Month Pay and Other Benefits.* – Gross benefits received by officials and employees of public and private entities: *Provided, however,* That the total exclusion under this subparagraph shall not exceed [Ninety thousand pesos (P90,000)] **TWO**

HUNDRED THOUSAND PESOS (P200,000), which shall cover:

“(i) x x x

“x x x”

SEC. 5. *Separability Clause.* – If any provision of this Act is held invalid or unconstitutional, the other provisions not so declared shall remain in force and effect.

SEC. 6. *Repealing Clause.* – All laws, decrees, orders and rules, and regulations contrary to or inconsistent with the provisions of this Act are hereby repealed or amended accordingly.

SEC. 7. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or a newspaper of general circulation.

Approved,